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Morocco

Grain and Feed

Annual

2006

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Report Highlights:
Despite a somewhat late start to the winter rainy season, abundant and well spaced rain in January and February raise prospects for an excellent wheat and barley crop and lowering import demand. January 1 implementation of the Free Trade Agreement with the United States should make US wheat, especially durum, more competitive in the Moroccan market and increase US market share in the future.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Rabat [MO1]
[MO]

Table of Contents

Production

With wheat and barley area comparable to last year, and much more abundant rainfall throughout the grains producing areas, Morocco's production could be the best in a decade and close to a record crop provided that additional showers are recorded during March and April and no significant damage are caused by the seasonal hot dry wind from the East.

Wheat and barley yields are expected to increase throughout the country but most of the increase in production is expected to come from the semi-arid areas where production is often low because of the lack of adequate moisture. Areas such as Settat, Beni Mellal, Safi should see their production increase dramatically compared to past years and boost the overall production of grains.

The table below provides data on area and production for the past 5 years and the forecast year:

Year of Harvest	2001	2002	2003	2004	2005		2006 Forecast*
PLANTED AREA (1000 hectares)							
Durum Wheat (1)	976.7	881.7	1,092.9	1,110.5	1,059.1		1,000
Soft Wheat (2)	1,723.9	1,744.7	1,896.0	1,953.2	1,906.7		2,000
Tot. Wheat (1)+(2)	**2,700.6**	**2,626.4**	**2,988.9**	**3,063.7**	**2,965.8**		**3,000**
Barley	2,126.0	2,002.4	2,266.5	2,324.1	2,179.8		2,200
Total Planted	**4,826.6**	**4,628.8**	**5,255.4**	**5,387.8**	**5,145.6**		**5,200**
PRODUCTION (1000 MT)							
Durum Wheat (1)	1,038.8	1,031.5	1,766.2	2,024.8	940.7		1,800
Soft Wheat (2)	2,277.6	2,325.2	3,380.6	3,515.1	2,102.4		3,800
Tot. Wheat (1)+(2)	**3,316.4**	**3,356.7**	**5,146.8**	**5,539.9**	**3,043.1**		**5,600**
Barley	1,155.2	1,669.0	2,620.4	2,760.4	1,102.2		3,400
Total Production	**4,471.6**	**5,025.7**	**7,767.2**	**8,300.3**	**4,145.3**		**9,000**

Source: Ministry of Agriculture, (*) AgAtt Forecast

In spite of a late start, the country has been blessed with significant periodic rains, virtually throughout all producing areas, which is expected to impact positively on overall yields. The area recorded this year is about 5 percent above the 5-year average but is still about 11 percent lower than the record area planted in 1996, which combined with good yields, resulted in the record wheat and barley crop of 9.7 MMT. A major difference since then, the area planted to non-durum wheat increased considerably at the expense of durum because the GOM has continued its policy to offer a support price for non-durum (2,500 dh/MT).

Consumption

Imports and marketing of grain is generally free in Morocco with the exception of the non-durum wheat that is used to make subsidized flour. Farmers do have the option to sell their non-durum wheat production to GOM licensed traders (grain merchants, cooperatives, and mills) at a GOM-preset price (2,500 dh/MT) or sell it in the free market. Prices of other grains (including durum wheat and barley) are freely negotiated in the market. (Indicative exchange rate 1 dirham (dh) = $9.5)

The GOM continues to subsidize about 1 MMT of wheat flour (non-durum) presumably to make flour available to the low-income population. Marketing of the wheat to make subsidized flour is subject to heavy government control at all levels. This wheat (whether local or imported through ONICL tenders) enters flourmills at the same price of 2,588 dh/MT for the standard quality. ONICL licensed traders purchase the local wheat for subsidized flour from farmers at 2,500 dirhams/MT and the imported wheat from importers at 2534 dh/MT. Local grain traders are required to clean and bag the local wheat if necessary to meet the quality required by the mills to make subsidized flour. Finally, grain collectors get a storage fee of 20 dirhams / MT / 15 days from the government as an incentive to store wheat.

As a result, the non-durum wheat accounts for most of the grain that goes through the official channels in spite of the yearly variations caused by the size of the harvest. The table below provides data on grain marketing through ONICL licensed agents (1000 MT):

Grains marketed through ONICL Licensed Agents

MY Beg Year	1999	2000	2001	2002	2003	2004	2005 Estimates
Wheat	811.3	416.7	1,092.4	1,013.1	1,506.5	1,859.9	1,246.8
Durum Wheat	13.4	10.0	18.6	18.4	24.4	20.6	8.3
Barley	9.0	6.0	17.6	10.3	14.0	7.6	1.7
Corn	35.9	2.9	5.5	4.2	6.7	1.7	3.0
Total	**869.6**	**435.6**	**1,134.1**	**1,046.0**	**1,551.6**	**1,889.8**	**1,259.8**

Source: ONICL

Grain merchants accounted for 58 percent of the bread wheat marketed through official channels while cooperatives and mills accounted equally for the remaining.

The table below provides indicative prices for wheat, durum and barley in local free grain markets (dh/MT).

Beg. Year of Marketing Year	Non-Durum	Durum	Barley	Corn
1998	2620	3010	2260	2200
1999	2630	3040	2110	1960
2000	2700	3200	2940	2060
2001	2560	3090	2420	2210
2002	2530	2920	1670	2120
2003	2560	2890	1770	2170
2004	2410	2790	2160	2180

Source: ONICL

Trade

Morocco will continue to import wheat even during bumper years to fulfill the increasing needs of the population. Imports of grains are handled by the private sector but the Cereal

Office (ONICL) continues to tender for about one fourth of the wheat imported in Morocco to ensure adequate supply of the wheat in the market. The Cereal office has also been in charge of tendering for the wheat (including durum) that is to be imported under the EU and the United States tariff rate quotas (TRQs). Most of the wheat imported through ONICL end-up being used to make the subsidized flour.

Durum wheat imports are likely to remain high in spite of the relatively large crop because most modern durum processors prefer to rely on more regular supply of higher, more consistent quality durum wheat that local distribution channels fail to provide.

Early in 2005, wheat from the black sea (Russia and Ukraine) has been very price competitive in Morocco and with a price differential with US wheat of $60/MT in some cases it has displaced other suppliers as well including Europeans.

United State-Morocco FTA

Morocco-US FTA entered in effect since January 1, 2006. Under the FTA, the United State secured a TRQ for durum of 250,000 MT (to be increased by 10,000 MT each year) and a TRQ for non-durum that will depend on the size of the Moroccan crop. The minimum and a maximum TRQ for non-durum wheat increase each year to reach 0.4 MMT and 1.0 MMT, respectively, in the tenth year of the agreement. If Morocco's wheat production turned out to be as good as expected, the TRQ should be at its minimum level for the second year of the agreement (293,000 MT).

Thanks to the FTA, the United States is in good position to compete on durum in the Moroccan market. Durum wheat imported under the TRQ is subject to a preferential rate 25 percent lower than the base duty and the duty is expected to be completely removed in six annual stages starting year 5 of the agreement. In fact, because Morocco increased considerably the duties on durum wheat in June 2005, the US will enjoy a duty preference for out of quota durum wheat as well.

The table below summarizes the duty preferences on U.S. durum as a result of the FTA:

	Harmonized Code	TRQ (MT)(1)	Base Rate Ad Valorem (2)	Duties on Quantities Under TRQ (2)	Duties on Quantities over TRQ (2)	Current Duties Applied to other origins(2)
Durum Wheat	1001109090	250,000	75.0%	56.3%	75.0%	95%(3)
Wheat	1001909010 1001909090	Varies with local production	65.0%	48.8%(4)	115%	115%

(1) TRQ not open during June and July
(2) Base rate applied to part of the price under 1000 dirhams per MT. Part of the price above is subject to a flat 2.5 percent.
(3) The customs tariff for durum from other suppliers is 170 % during June and July (see MO5015)
(4) See MO5005 for detailed calculation.

EU Purchases

Out of the 1.0 MMT EU TRQ, the Moroccan Cereal Office already allocated some 930,000 MT through tenders for deliveries as late as End of April. About 0.63 MMT, have been already effectively delivered as of end of February and the remaining purchases are scheduled for April delivery. The EU Quota also closes in June and July, but is renewed on a marketing year basis (August to May).

PSD Table

Country Morocco
Commodity Wheat

(1000 HA)(1000 MT)

	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [	Estimate[NA	Official [	Estimate[NA	Official [	Estimate[New]	
Market Year Begin		07/2004		07/2005		07/2006	MM/YYYY
Area Harvested	3064	3064	2966	2966	0	3000	(1000 HA)
Beginning Stocks	2231	2312	3043	3154	1786	1625	(1000 MT)
Production	5540	5540	3043	3043	0	5600	(1000 MT)
TOTAL Mkt. Yr. Imports	2272	2302	2900	2400	0	2200	(1000 MT)
Jul-Jun Imports	2272	2302	2900	2400	0	2200	(1000 MT)
Jul-Jun Import U.S.	28	19	0	30	0	500	(1000 MT)
TOTAL SUPPLY	10043	10154	8986	8597	1786	9425	(1000 MT)
TOTAL Mkt. Yr. Exports	100	100	100	72	0	100	(1000 MT)
Jul-Jun Exports	100	100	100	72	0	100	(1000 MT)
Feed Dom. Consumption	200	50	200	0	0	0	(1000 MT)
TOTAL Dom. Consumpti	6900	6900	7100	6900	0	6900	(1000 MT)
Ending Stocks	3043	3154	1786	1625	0	2425	(1000 MT)
TOTAL DISTRIBUTION	10043	10154	8986	8597	0	9425	(1000 MT)

Import Trade Matrix

Country Morocco
Commodit Wheat

Time Period	Beg Year M	Units:	MT
Imports for:	2003		**2004**
U.S.	491109	U.S.	18570
Others		Others	
France	644370	France	1020466
Canada	580954	Russia	356593
Brazil	358226	Canada	333180
Argentina	296883	Ukraine	149710
Australia	79718	Argentina	147400
Paraguay	40243	Australia	66000
Germany	36967	Lithuania	56583
Sweden	29006	Uruguay	51469
Russa	13683	Germany	49550
Lituania	3651	Bulgaria	45150
Total for Others	2083701		2276101
Others not Listed			6954
Grand Total	2574810		2301625

PSD Table

Country **Morocco**

Commodity **Barley**

					(1000 HA)(1000 MT)		
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [	Estimate[New]	USDA Official [	Estimate[New]	USDA Official [	Estimate[New]	
Market Year Begin		07/2004		07/2005		07/2006	MM/YYYY
Area Harvested	2324	2324	2180	2180	0	2200	(1000 HA)
Beginning Stocks	636	610	1178	1230	380	682	(1000 MT)
Production	2760	2760	1102	1102	0	3400	(1000 MT)
TOTAL Mkt. Yr. Imports	482	360	800	800	0	200	(1000 MT)
Oct-Sep Imports	565	459	800	800	0	200	(1000 MT)
Oct-Sep Import U.S.	0	0	0	18	0	0	(1000 MT)
TOTAL SUPPLY	3878	3730	3080	3132	380	4282	(1000 MT)
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Exports	0	0	0	0	0	0	(1000 MT)
Feed Dom. Consumption	1850	1500	1800	1300	0	1900	(1000 MT)
TOTAL Dom. Consumpti	2700	2500	2700	2450	0	2500	(1000 MT)
Ending Stocks	1178	1230	380	682	0	1782	(1000 MT)
TOTAL DISTRIBUTION	3878	3730	3080	3132	0	4282	(1000 MT)

Import Trade Matrix

Country Morocco

Commodity Barley

Time Period	MY Jun/Jul	Units:	MT
Imports for:	2003		**2004**
U.S.	0	U.S.	0
Others		Others	
Russia	45174	France	221081
France	31892	Ukraine	68952
Ukraine	16592	Germany	22550
Sweden	9807	Russia	21820
Netherlands	9212	Belgium	12076
Great Britain	9091	Bulgaria	10852
Kazakhstan	5568	Great Britain	3155
Lithuania	5320		
Germany	4241		
Total for Others	136897		360486
Others not Listed			
Grand Total	136897		360486